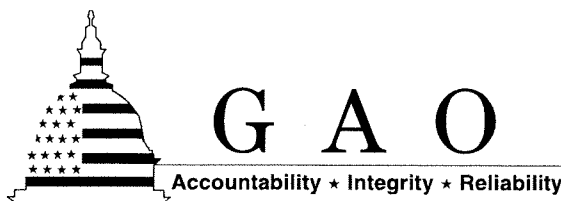


January 2004

PERFORMANCE BUDGETING

Observations on the Use of OMB's Program Assessment Rating Tool for the Fiscal Year 2004 Budget





Highlights of GAO-04-174, a report to congressional requesters

Why GAO Did This Study

The Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART) is meant to provide a consistent approach to evaluating federal programs during budget formulation. To better understand its potential, congressional requesters asked GAO to examine (1) how PART changed OMB's fiscal year 2004 budget decision-making process, (2) PART's relationship to the Government Performance and Results Act of 1993 (GPRA), and (3) PART's strengths and weaknesses as an evaluation tool.

What GAO Recommends

GAO recommends that OMB (1) address the capacity demands of PART, (2) strengthen PART guidance, (3) address evaluation information availability and scope issues, (4) focus program selection on crosscutting comparisons and critical operations, (5) broaden the dialogue with congressional stakeholders, and (6) articulate and implement a complementary relationship between PART and GPRA.

OMB generally agreed with our findings, conclusions, and recommendations and stated that it is already taking actions to address many of our recommendations.

GAO also suggests that Congress consider the need for a structured approach to articulating its perspective and oversight agenda on performance goals and priorities for key programs.

www.gao.gov/cgi-bin/getrpt?GAO-04-174.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Paul Posner at (202) 512-9573 or posnerp@gao.gov.

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What GAO Found

PART helped structure OMB's use of performance information for its internal program and budget analysis, made the use of this information more transparent, and stimulated agency interest in budget and performance integration. OMB and agency staff said this helped OMB staff with varying levels of experience focus on similar issues.

Our analysis confirmed that one of PART's major impacts was its ability to highlight OMB's recommended changes in program management and design. Much of PART's potential value lies in the related program recommendations, but realizing these benefits requires sustained attention to implementation and oversight to determine if desired results are achieved. OMB needs to be cognizant of this as it considers capacity and workload issues in PART.

There are inherent challenges in assigning a single rating to programs having multiple purposes and goals. OMB devoted considerable effort to promoting consistent ratings, but challenges remain in addressing inconsistencies among OMB staff, such as interpreting PART guidance and defining acceptable measures. Limited credible evidence on results also constrained OMB's ability to rate program effectiveness, as evidenced by the almost 50 percent of programs rated "results not demonstrated."

PART is not well integrated with GPRA—the current statutory framework for strategic planning and reporting. By using the PART process to review and sometimes replace GPRA goals and measures, OMB is substituting its judgment for a wide range of stakeholder interests. The PART/GPRA tension was further highlighted by challenges in defining a unit of analysis useful for both program-level budget analysis and agency planning purposes. Although PART can stimulate discussion on program-specific measurement issues, it cannot substitute for GPRA's focus on thematic goals and department- and governmentwide crosscutting comparisons. Moreover, PART does not currently evaluate similar programs together to facilitate trade-offs or make relative comparisons.

PART clearly must serve the President's interests. However, the many actors whose input is critical to decisions will not likely use performance information unless they feel it is credible and reflects a consensus on goals. It will be important for OMB to discuss timely with Congress the focus of PART assessments and clarify the results and limitations of PART and the underlying performance information. A more systematic congressional approach to providing its perspective on performance issues and goals could facilitate OMB's understanding of congressional priorities and thus increase PART's usefulness in budget deliberations.

Results in Brief

The PART has helped to structure and discipline OMB's use of performance information for its internal program analysis and budget review, made the use of this information more transparent, and stimulated agency interest in budget and performance integration. Both OMB and agency staff noted that this helped ensure that OMB staff with varying levels of experience focused on the same issues, fostering a more disciplined approach to discussing program performance with agencies. Several agency officials also told us that the PART was a catalyst for bringing agency budget, planning, and program staff together since none could fully respond to the PART questionnaire alone.

Our analysis confirmed that one of the PART's major impacts was its ability to highlight OMB's recommended changes in program management and design. Over 80 percent of the recommendations made for the 234 programs assessed for the fiscal year 2004 budget process were for improvements in program design, assessment, and program management; less than 20 percent were related to funding issues. As OMB and others

recognize, performance is not the only factor in funding decisions. Determining priorities—including funding priorities—is a function of competing values and interests. Although OMB generally proposed to increase funding for programs that received ratings of “effective” or “moderately effective” and proposed to cut funding for those programs that were rated “ineffective,” our review confirmed OMB’s statements that funding decisions were not applied mechanistically. That is, for some programs rated “effective” or “moderately effective” OMB recommended funding decreases, while for several programs judged to be “ineffective” OMB recommended additional funding in the President’s budget request with which to implement changes.

Much of the potential value of the PART lies in the related program recommendations and associated improvements, but realization of these benefits will require sustained attention to implementation and oversight in order to determine if the desired results are being achieved. Such attention and oversight takes time, and OMB needs to be cognizant of this as it considers the capacity and workload issues in the PART. Currently OMB plans to assess an additional 20 percent of all federal programs annually. Each year, the number of recommendations from previous years’ evaluations will grow—and a system for monitoring their implementation will become more critical. OMB encouraged its Resource Management Offices (RMO) to consider many factors in selecting programs for the fiscal year 2004 PART assessments, such as continuing presidential initiatives and programs up for reauthorization. While all programs would eventually be reviewed over the 5-year period, selecting related programs for review in a given year would enable decision makers to analyze the relative efficacy of similar programs in meeting common or similar outcomes. We recommend that OMB centrally monitor and report on agency implementation and progress on PART recommendations to provide a governmentwide picture of progress and a consolidated view of OMB’s workload in this area. In addition, to target scarce analytic resources and to focus decision makers’ attention on the most pressing policy issues, we recommend that OMB reconsider plans for 100 percent coverage of federal programs by targeting PART assessments based on such factors as the relative priorities, costs, and risks associated with related clusters of programs and activities. We further recommend that OMB select for review in the same year related or similar programs or activities to facilitate such comparisons and trade-offs.

Developing a credible evidence-based rating tool to provide bottom-line ratings for programs was a major impetus in developing the PART.

However, inherent challenges exist in assigning a single “rating” to programs that often have multiple purposes and goals. Despite the considerable time and effort OMB has devoted to promoting consistent application of the PART, the tool is a work in progress. Additional guidance and considerable revisions are needed to meet OMB’s goal of an objective, evidence-based assessment tool. In addition to difficulties with the tool itself—such as subjective terminology and a restrictive yes/no format—providing flexibility to assess multidimensional programs with multiple purposes and goals often implemented through multiple actors has led to a reliance on OMB staff judgments to apply general principles to specific cases. OMB staff were not fully consistent in interpreting the guidance for complex PART questions and in defining acceptable measures. In addition, the limited availability of credible evidence on program results also constrained OMB staff’s ability to use the PART to rate programs’ effectiveness. Almost 50 percent of the 234 programs assessed for fiscal year 2004 received a rating of “results not demonstrated” because OMB decided that program performance information, performance measures, or both were insufficient or inadequate. OMB, recognizing many of the limitations with the PART, modified the PART for fiscal year 2005 based on lessons learned during the fiscal year 2004 process, but issues remain. We therefore recommend that OMB continue to improve the PART guidance by (1) clarifying when output versus outcome measures are acceptable and (2) better defining an “independent, quality evaluation.” We further recommend that OMB both clarify its expectations regarding the nature, timing, and amount of evaluation information it wants from agencies for the purposes of the PART and consider using internal agency evaluations as evidence on a case-by-case basis.

The PART is not well integrated with GPRA—the current statutory framework for strategic planning and reporting. According to OMB officials, GPRA plans were organized at too high a level to be meaningful for program-level budget decision making. To provide decision makers with program-specific, outcome-based performance data useful for executive budget formulation, OMB has stated its intention to modify GPRA goals and measures with those developed under the PART. As a result, OMB’s judgment about appropriate goals and measures is substituted for GPRA judgments based on a community of stakeholder interests. Agency officials

we spoke with expressed confusion about the relationship between GPRA requirements and the PART process. Many view PART's program-by-program focus and the substitution of program measures as detrimental to their GPRA planning and reporting processes. OMB's effort to influence program goals is further evident in recent OMB Circular A-11 guidance⁷ that clearly requires each agency to submit a performance budget for fiscal year 2005, which will replace the annual GPRA performance plan.

The tension between PART and GPRA was further highlighted by the challenges in defining a unit of analysis that is useful both for program-level budget analysis and agency planning purposes. Although the PART reviews indicated to OMB that GPRA measures are often not sufficient to help it make judgments about programs, the different units of analysis used in these two performance initiatives contributed to this outcome. For the PART, OMB created units of analysis that tied to discrete funding levels by both disaggregating and aggregating certain programs. In some cases, disaggregating programs for the PART reviews ignored the interdependency of programs by artificially isolating them from the larger contexts in which they operate. Conversely, in other cases in which OMB aggregated programs with diverse missions and outcomes for the PART reviews, it became difficult to settle on a single measure (or set of measures) that accurately captured the multiple missions of these diverse components. Both of these "unit of analysis" issues contributed to the lack of available planning and performance information.

Although the PART can stimulate discussion on program-specific performance measurement issues, it is not a substitute for GPRA's strategic, longer-term focus on thematic goals and department- and governmentwide crosscutting comparisons. GPRA is a broad legislative framework that was designed to be consultative with Congress and other stakeholders and allows for varying uses of performance information, while the PART applies evaluation information to support decisions and program reviews during the executive budget formulation process. Moreover, GPRA can anchor the review of programs by providing an overall strategic context for programs' contributions toward agency goals. We therefore recommend that OMB seek to achieve the greatest benefit from both GPRA and PART by articulating and implementing an integrated, complementary relationship between the two. We further recommend that OMB continue to improve the PART guidance by expanding the discussion

⁷ OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, Section 220.

of how programs—also known as “units of analysis”—are determined, including recognizing the trade-offs, implications, or both of such determinations.

As part of the President’s budget preparation, the PART clearly must serve the President’s interests. However, experience suggests that efforts to integrate budget and performance are promoted when Congress and other key stakeholders have confidence in the credibility of the analysis and the process used. It is unlikely that the broad range of players whose input is critical to decisions will use performance information unless they believe it is relevant, credible, reliable, and reflective of a consensus about performance goals among a community of interested parties. Similarly, the measures used to demonstrate progress toward a goal, no matter how worthwhile, cannot appear to serve a single set of interests without potentially discouraging use of this information by others. We therefore recommend that OMB attempt to build on the strengths of GPRA and PART by seeking to communicate early in the PART process with congressional appropriators and authorizers about what performance issues and information are most important to them in evaluating programs. Furthermore, while Congress has a number of opportunities to provide its perspective on performance issues and goals through its authorization, oversight, and appropriations processes, we suggest that Congress consider the need for a more structured approach for sharing with the executive branch its perspective on governmentwide performance matters, including its views on performance goals and outcomes for key programs and the oversight agenda.

In commenting on a draft of this report, OMB generally agreed with our findings, conclusions, and recommendations. OMB outlined actions it is taking to address many of our recommendations, including refining the process for monitoring agencies’ progress in implementing the PART recommendations, seeking opportunities for dialogue with Congress on agencies’ performance, and continuing to improve executive branch implementation of GPRA plans and reports. OMB also suggested some technical changes throughout the report that we have incorporated as appropriate. OMB’s comments appear in appendix IV. We also received technical comments on excerpts of the draft provided to the Departments of the Interior, Energy, and Health and Human Services, which are incorporated as appropriate.